**Activity 2.4.2 – Income Statement and Balance Sheet Accounts**

Purpose: Classify income statement and balance sheet accounts and sort them correctly.

Sort accounts by whether they are found on the balance sheet or income statement. Remind students that they prepared a balance sheet before. See if they can tell you what classification of accounts are on the balance sheet. What type of accounts are these? Are they permanent or temporary?

What two things affect net income or loss? These are the accounts extended to the income statement section of the worksheet.

Demonstrate moving the balances over to the balance sheet. Emphasize recalculating the supplies and insurance balance. Have your students check the number of accounts to be sure they did not leave any out and recheck to make sure they have not made common errors like slides, transpositions or putting the amount on the wrong side. Checking now might prevent them from losing a lot of time later.

Demonstrate moving the balances for revenue and expenses over to the income statement section of the worksheet. Again, emphasize checking for errors carefully.

Have students check their knowledge by completing this exercise. Ask them to place an “X” in all columns in which the account would appear.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Account Name | Trial  Balance | | Adjustments | | Income Statement | | Balance Sheet | |
|  |  | DR | CR | DR | CR | DR | CR | DR | CR |
| 1 | Insurance Expense |  |  |  |  |  |  |  |  |
| 2 | Cash |  |  |  |  |  |  |  |  |
| 3 | Sylvia Morales, Capital |  |  |  |  |  |  |  |  |
| 4 | Fees Earned |  |  |  |  |  |  |  |  |
| 5 | Supplies |  |  |  |  |  |  |  |  |
| 6 | Prepaid Insurance |  |  |  |  |  |  |  |  |
| 7 | Advertising Expense |  |  |  |  |  |  |  |  |
| 8 | Miscellaneous Expense |  |  |  |  |  |  |  |  |
| 9 | Sylvia Morales, Drawing |  |  |  |  |  |  |  |  |
| 10 | Bank of Liberty |  |  |  |  |  |  |  |  |